

Message Text

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E.O. 11652: N/A

TAGS: INV EGEN EG

SUBJECT: AGREEMENT SIGNED FOR ANOTHER JOINT VENTURE BANK:
AMERICAN EXPRESS

REF CAIRO 901

1. ON FEB 5, AN AGREEMENT WAS SIGNED BETWEEN AMERICAN EXPRESS INTERNATIONAL BANKING CORP (49 PERCENT) AND BANK OF ALEXANDRIA (51 PERCENT) ESTABLISHING EGYPTIAN MERICAN BANK, WITH CAPITAL OF \$30 MILLION. AMEX, WHICH CAME VERY QUICKLY ONTO SCENE AFTER LATE START, I N

COMPARISON WITH SOME OF OTHERS, THUS BECOMES THIRD US BANK TO INITIAL DOCUMENTS CONCERNING JOINT-VENTURE BANKING IN EGYPT. (OTHERS ARE FIRST NATIONAL OF CHICAGO AND CHASE MANHATTAN).

2. PRESS ARTICLES AND STATEMENTS BY BOTH OFFICIALS OF BOTH BANK OF ALEXANDRIA AND AMEX INDICATE THAT NEW BANK WILL UNDERTAKE FULL RANGE OF ACTIVITIES OF LOCAL COMMERCIAL BANKS (PRESS REFERRED TO THIS AS "MANIPULATION OF EGYPTIAN AND FOREIGN CURRENCIES".)

3. COMMENT: IN MEANTIME, MEETINGS ARE APPARENTLY BEING HELD
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AT HIGH LEVELS TO DETERMINE EXACTLY HOW EGYPTIAN BANKING

COMMUNITY WILL ADJUST TO ACCOMMODATE ENTRY OF FOREIGN BANKS INTO DOMESTIC SCENE. HIGHER ECONOMIC COUNCIL IS REPORTEDLY CONSIDERING VARIOUS PROPOSALS TO BE PUT BEFORE CABINET ON THIS SUBJECT, AND PRESS REPORTS THAT CHANGES TO LAW 43, NEW INVESTMENT LAW UNDER WHICH JOINT VENTURES ARE ESTABLISHED, MAY BE IN OFFING. ONE OF POSSIBILITIES MAY RELATE TO PLACING FAIRLY HIGH FLOOR UNDER SIZE OF PURELY EGYPTIAN ACCOUNTS THAT CAN BE ACCEPTED BY NEW BANKS, THEREBY PERMITTING THEM TO HANDLE LOCAL CURRENCY WITHOUT COMPETING CLEAR ACROSS BOARD WITH BANKS NOW IN OPERATION.

4. IT NOW SEEMS CLEAR THAT GOE IS PREPARED TO MOVE AHEAD SOMEWHAT WITH ITS OBJECTIVE OF HAVING FOREIGN BANKING OPERATIONS WITHIN COUNTRY, DESPITE LINGERING DOUBTS, MISGIVINGS AND WORSE BY SOME SEGMENTS OF EGYPTIAN POPULATION. RECENT SPATE OF SIGNATURE CEREMONIES AND ATTENDANT PUBLICITY HAS PROBABLY BEEN SUFFICIENT TO STIR UP AS MUCH REACTION AS THERE IS LIKELY TO BE, SINCE ONLY THOSE WHO ARE CLOSELY WATCHING SITUATION KNOW THAT THERE IS QUITE A DIFFERENCE BETWEEN INITIALLING A PROTOCOL AND OPERATING A BANK. CHASE (MANHATTAN) NATIONAL BANK, FOR EXAMPLE, WHICH HAS BUILDING, SIGNS, STAFF, AND AN AGREEMENT, IS STILL WAITING FOR WORD TO BEGIN WORKING. EMBASSY ESTIMATES THAT BY END OF MARCH THEY WILL BE IN BUSINESS, BUT MORE THAN LIKELY IN A RESTRICTED LOCAL CURRENCY MODE.
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